

sector, a 5-7% boost in common alloy products has been postponed. Demand, too, isn't as robust as it was a few months ago. And on the supply side, an increase in output has allayed fears of tight supplies. Nevertheless, the overall picture is still basically bullish—with U.S. demand expected to increase 10% this year. That should be enough to edge ingot close to 80¢/lb. by late fall or early winter.

Sulphuric acid

Figure on paying about \$5/ton more over the next few months. Reason: improving demand (which has managed to bring industry operating rates up into the respectable 75% range)—plus a pass-through of a recent \$7.50/ton increase in basic sulphur (to \$140/ton, FOB Tampa). Recovered sulphur tags are also rising. Another factor in all the firming has been a sharp drop-off in inventories—with Frasch and recovered sulphur stockpiles down 22% and 30%.

Zinc

Bullishness is still the order of the day—with the booming auto market pushing U.S. chewup as much as 10% higher this year. In addition, the erosion in zinc use per car seems to have bottomed out. Also on the positive side are (1) good Chinese demand—perhaps as much as 200,000 metric tons this year, (2) falling

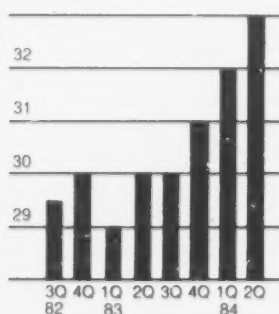
domestic stocks—now under a one-month supply, and (3) improving capital construction which should stimulate demand for hot-dipped products. But any price increase above current levels is likely to be small—with little more than a 55-57¢/lb. range anticipated by the early fourth quarter.

Styrene

The monomer is firming on a broad front—prodded by (1) strong demand from polystyrene and polyester resins, (2) a step-up in export sales, and (3) temporary plant shutdowns. This combination of factors has pushed styrene up to 33¢/lb. on a transaction basis—some ½-2¢/lb. above recent levels. This, in turn, could put new upward pressure on polystyrene tags which just recently went up another 2¢/lb.—a move which has brought lists for the general purpose grade up into the 48¢/lb. range.

Styrene

(cents/lb)

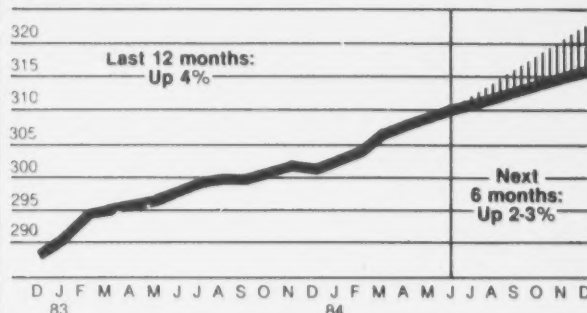


Airline tickets

Press travel agents for rebates. A new survey, for

Construction materials

(Index 1967 = 100)



CURRENT SITUATION: Upward price pressures have been rather uneven in recent months. On the upper end of the scale is gypsum where tags now run close to 25% above a year ago. And copper water tube—with a 10% boost since the beginning of the year—isn't that far behind. Some steel and asphalt products have also moved up significantly. On the other hand, cement and lumber have been doing little more than marking time.

DEMAND: Products going into the housing market are likely to fare best—based on projections for about a 10-11% increase in real residential contract construction this year. Not so in 1985, however, when non-residential construction will lead the parade. Cement makers are talking in terms of a 78-79 million ton year—up as much as 10% from 1983. Smaller gains in the 6-8% range are anticipated for flat glass, brick, concrete products, and plumbing supplies. As for lumber, a 5% gain to 33.1 billion board feet is seen—with a similar boost bringing plywood up into the 19-20 billion square foot range.

SUPPLY: Gypsum seems to be the only really tight product at this time—as plants operate at near 95% of their rated capacity. True, operating rates in cement are also rising fast—but in this latter area there's still plenty of the material around. But cement could cause problems in 1985 and 1986—for the industry's capacity is only 88 million tons.

PRICE OUTLOOK: The gentle 1983-early 1984 up-trend is likely to continue. As such, look for maybe another 2-3% being added onto overall averages over the next six months—with similar gains continuing into early '85. Cement is probably the prime candidate for a bigger-than-average boost. Other areas slated for fair-sized advances would have to include building paper, roofing and paving materials, and flat glass. But any boosts in lumber and plywood will be quite limited.

PW PREDICTS

Calculators

Odds are you'll be buying a lot more calculators in the months and years immediately ahead—many of them especially designed to meet specific business needs.

So say officials at Aurora Impex Corporation—one of the world's largest makers of calculators. All told, the firm is projecting a fairly brisk 4.8% demand increase for 1984 (versus last year's near level performance)—with the long-term growth rate put in the almost-as-large 3.6% range.

And even that doesn't tell the whole story—with the more sophisticated programmable types likely to sport a big 15% advance over the current year. Gains in this category through 1987 could be almost as high—probably something on the order of 8% a year.

Steadily falling prices and more versatile sets are expected to be the driving force behind the overall calculator uptrend.

On the latter score, users are now getting an ever-widening selection to choose from—including currency exchange passport calculators, checkbook calculators with multiple memory capacity, credit card ultra-thin calculators, scientific calculators, budget planner calculators for women shoppers—and solar types that no longer need light to operate.

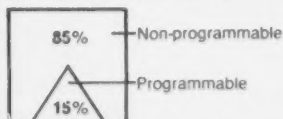
More imaginative distribution should also aid the demand uptrend. Thus more and more stores are moving toward gondola self-standing display units—to allow "hands on" experimentation and instruction without the need of a salesperson while at the same time reducing theft potential.

As in the past, however, hand-held sets will continue to capture the largest share of the market. Last year, for example, the small convenient machines accounted for 86% of all units sold—with the larger desk-top types making up the remaining 14%.

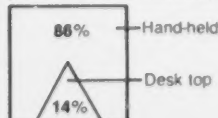
How calculator sales shape up

Market breakdown

(% of total 1983 dollar sales)



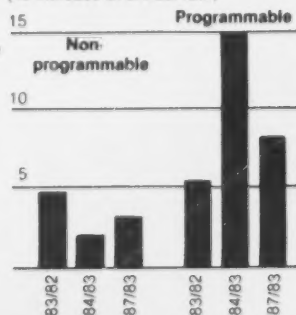
(% of total 1983 unit sales)



Source: Aurora Impex Corp.

The trend into 1987

(% increase at annual rate)



example, suggests that there is a pretty good chance of getting them—especially where transportation budgets run upwards of \$500,000 a year. In any event, almost 40% of queried U.S. companies admit to receiving such rebates (with the average kickback put at near 3.1%)—either in the form of outright discounts or as a percentage of the agent's income from such bookings. Outright discounts from the airlines themselves are also sometimes available. One firm, in return for volume guarantees, for example, is said to be getting discounts running 30% under list price.

Computers

Small discounts are becoming available on IBM personal computer models—for those willing to take the time to shop around. A grey market has also developed—as overstocked sellers begin dumping sets at lower prices to unauthorized dealers. Small home computers also seem to be heading lower. Trade reports, for example, suggest that the recently reduced Apple IIe will be discounted to as low as \$700.

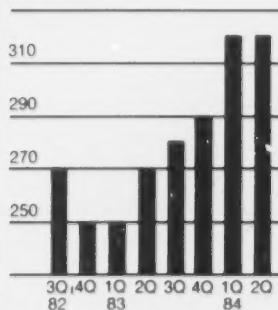
Paper and paperboard

Brace for more hikes in linerboard—with perhaps another \$30/ton added onto quotes by fall—bringing the going price up into the \$350/ton range. Behind

the expected boost: booming demand which should keep 1984 operating rates near the 97% level—some five full percentage points above 1983 levels. If the boost materializes, similar increases in corrugated boxes won't be far off. Meantime, in the fine paper sector, 1984 coated price averages look to run 10% above year-ago levels—with uncoated grades moving up by an even bigger 16%.

Linerboard

(dollars/ton)



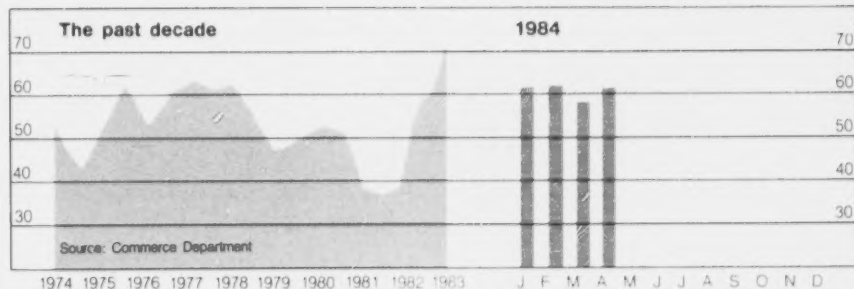
Coal

Modest price boosts could be in the making as users begin hedging against a possible October 1 mine strike. Best bet: A 5% increase by fall—enough to bring current spot quotes for low-sulphur steam coal into the \$24-\$28/ton range. Overall demand, too, looks fairly bullish—with consumption (including exports) likely to hit 873 million tons this year—up 7% from 1983 level. Long-term gains, however, are put in the more modest 3% annual rate range. **PW**

BUSINESS DATATRAK

NAPM business barometer

Based on five indicators (employment, inventories, new orders, production, vendor performance)



KEY ECONOMIC TRENDS

Solid gains but some cooling coming

The current (second) quarter may not turn out quite as robust as the first three months of the year when GNP advanced at a better-than-8% rate in real terms.

But by the same token, things still look pretty rosy. Indeed, preliminary indications suggest that the April-June period will again post a solid gain—with a real GNP advance of 4-5% almost certain.

Lest there be any doubt on this score, take a look at some of the nation's key business barometers.

The NAPM business barometer, for example, continues to run well above the neutral "50" mark that signals the dividing line between probable gain and loss. In fact, the latest reading of 61.4 is

actually a bit higher than the 58.3 level of just one month earlier.

Additional strength should also be coming from still thin inventories. With stock/sales ratios remaining at or near all-time lows, any increase in demand over the next few months will have to be met by new production rather than inventory drawdown.

Also on the bullish side is the still brisk pace of incoming factory order—rising at a 1-2% clip for better than nine straight months now (top chart right). To be sure, a lot of this reflects an increase in defense bookings. But this counts just as much as nondefense orders—at least as far as overall impact on real GNP.

Included in the overall rise this time around is another increase in machine tool orders. If nothing else, the latest 3% monthly advance offers pretty strong evidence that the heretofore sluggish capital goods sector has turned the corner—and will henceforth also be contributing to overall eco-

nomic gains.

On a somewhat less bullish note, construction contract awards (a harbinger of future building activity) seem to be leveling off.

But luckily there's a countervailing force: strong nonresidential building—particularly in the office building, warehouse, and public works sectors.

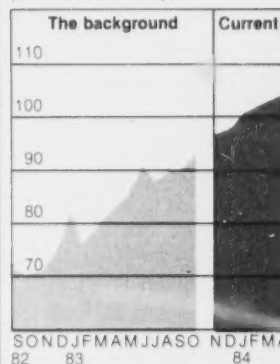
The rising cost of money may also be a reason for a similar plateauing out in retail sales and consumer buying plans. On the latter score, the Conference Board's index of these purchasing intentions has been edging lower for two consecutive months now.

But note that the drop has been quite modest when compared to the extremely large rise through all of last year. In any event, the latest reading is still a hefty 25% above year-earlier levels.

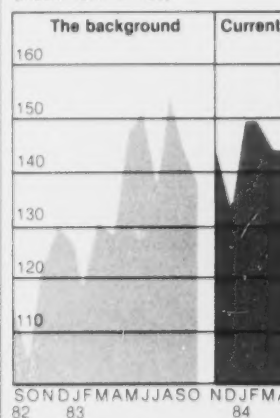
To sum up then, the business curve still seems to be heading up. But the rate of advance may be somewhat more restrained. Not only does this reflect

Leading indicators

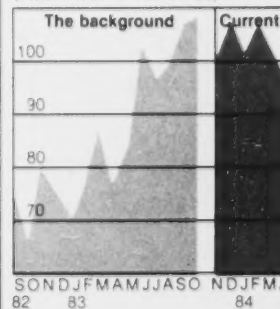
1. Durable orders (Millions \$, seas. adj.)



2. Contract awards (Index: 1977 = 100)



3. Consumer buying plans (Index: 1969 = 70 = 100)



BUSINESS DATATRAK

recent rises in the cost of money, but also the fact that any economic upturn tends to lose some of its steam after close to a year and a half of steady gains.

In short, some deceleration seems inevitable. But it's important to keep in mind that deceleration and decline are two different things. Right now, for example, all signs point to about 3% real GNP gains, give or take a half a percentage point, for both the third and fourth quarters.

But this kind of cooling is all to the good—for it should help prolong the current recovery.

Executive optimism runs high

There may be talk of an economic pause. But most top business executives just aren't buying it. Thus—

■ Dun & Bradstreet in its new second quarter 1984 survey of more than 1,400 business leaders finds that corporate optimism is at its highest level in five years. More to the point—

some 83% of the respondents expect sales gains vis a vis a year ago. Weigh this against the small 4% who look for declines and it makes for a D&B Sales Optimism Index of 70 (83% up minus 4% down).

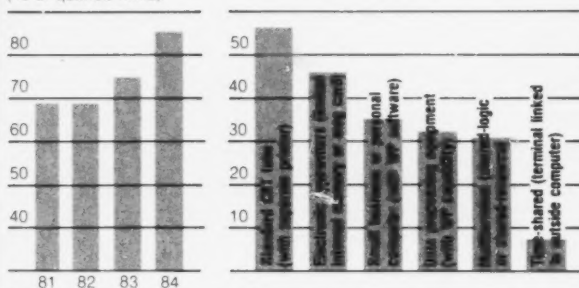
■ The Conference Board which queries an even larger number of chief executives comes with an equally impressive finding—a Confidence Index of 70 (on a scale of 0-100)—pretty high by almost any standard.

True, this isn't quite as high as the previous two quarters. But this is nothing to be concerned about, says Lora S. Collins, director of Business Conditions Analysis at the Board. As she explains it, "As an economy matures, a decline is expected in the number of respondents reporting that conditions have improved or are expected to improve."

To bolster her appraisal of more business gains ahead, she cites the fact that some 50% of the surveyed executives expect employment to increase in their industries in 1984—the highest such percentage in the survey's history.

Findings of the D&B sur-

Word-processing at a glance
More and more firms use it (% of queried firms)
Utilizing this type of equipment (% of queried firms)



Source: Administrative Management Society

vey are equally upbeat. For example, some 84% expect new order increases in second quarter 1984 compared with a year earlier—double the 42% figure of just six months earlier.

Intentions to beef up inventories also indicate basic business confidence—with some 50% of the respondents telling D&B survey takers that they expect second quarter stocks to top year-ago levels—again twice the response of just six months earlier.

About the only cause of concern are D&B findings suggesting that price increases may be accelerating. Some 54%, for example, currently expect quotes to top year-earlier levels. Six months ago, the comparable figure was only 38%.

Word processing

It's becoming increasingly hard to find a firm that doesn't use some kind of word processing equipment these days.

This year, for example, some 86% of the nearly 400 firms queried by the

Administrative Management Society say that they utilize such equipment—up from 75% last year and only 69% in both 1981 and 1982. Add another 9% considering this approach—and the figure could be in the 95% range before too long.

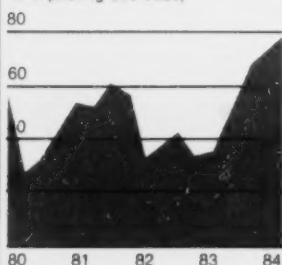
More intensive use is also indicated. Thus the majority of respondents (54% to be exact) say that they plan to add additional word processing terminals or equipment within the next year.

Then, too, a growing number of firms note that they're doing more and more of their typing on WP equipment. Specifically 38% use, or are considering this approach, for over half of their typing (versus only 27% who did so last year).

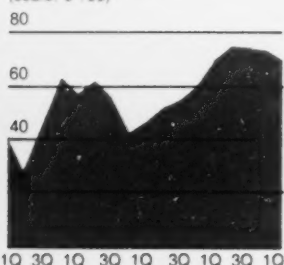
Increasing productivity, of course, is the major factor behind the surge. Bottom line: Almost three-fourths of the respondents say that they have quantified an increase in efficiency—43% of these firms putting the advance in the 25-50% category, with an additional 21% indicating productivity increases in the 50-75% range.

Two views from the corporate suite

D&B sales optimism index
(% expecting increase minus % expecting decrease)



Conference board confidence index
(scale: 0-100)



Source: Dun & Bradstreet, Conference Board

CURRENT PRICES

News good as advances are modest

More good news on the industrial price front. Producer price averages moved up only 1.5% over the first four months of the year—or roughly 4.5% at

annual rate—a remarkable showing in view of the strong demand gains over this same period.

A good part of the credit has to go to energy—where fractional declines have recently been reported. During the latest available month, for example, slip-page was noted in diesel fuels, residual oil, commercial jet fuel, kerosene heating oil, and coal. These were more than enough to offset increases in electric power, gasoline,

This month's breakdown

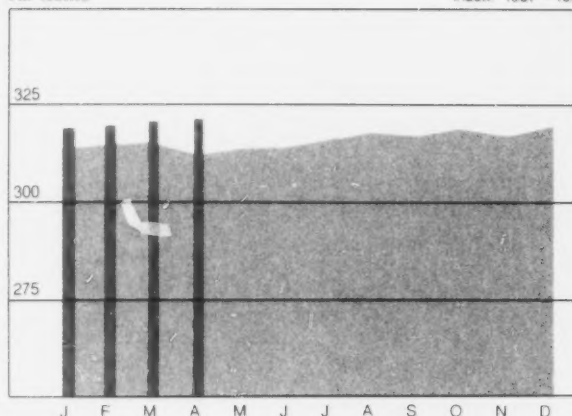
	Latest level (Apr)	% change from: Month ago	Year ago
Bearings	338.8	0.7	2.3
Bolts, nuts, etc	274.4	0.7	-2.3
Chemicals, inorganic	290.8	0.0	-2.7
Chemicals, organic	371.4	-0.4	3.9
Concrete products	308.8	0.8	2.6
Corrugated cartons	263.7	1.4	10.1
Cutting tools, small	280.1	0.1	0.3
Electric lamps (bulbs)	346.8	1.6	11.8
Electronic components	190.6	-0.1	5.5
Fans and blowers	341.6	0.0	1.5
Foundry and forge products	359.6	0.8	2.1
Fuel oil (residual)	1110.3	-0.5	9.3
Furniture, commercial	297.5	0.4	3.9
Gasoline	572.6	0.7	1.5
Glass, flat	229.5	-0.1	-0.1
Glass containers	358.4	1.9	1.4
Gypsum products	353.1	4.0	29.9
Hand tools	356.0	0.3	1.9
Hand tools, power driven	223.0	-0.6	0.3
Industrial furnaces	371.7	0.3	2.8
Integrating and measuring instruments	229.6	0.3	4.8
Internal combustion engines	343.1	0.0	0.3
Lubricating oil	797.9	0.0	1.2
Lumber millwork	307.7	-0.6	1.6
Material handling equipment	287.6	0.1	1.0
Metal containers	345.5	0.0	4.1
Metal mill shapes (nonferrous)	328.2	0.8	7.4
Metalworking machines	332.4	0.7	1.9
Metal tanks	305.6	0.1	-0.2
Motors and generators	339.3	0.4	4.4
Motor trucks	282.4	0.4	4.6
Office and store equipment	154.8	0.1	0.2
Paperboard	275.4	0.7	11.0
Paper boxes and shipping containers	262.4	1.4	6.5
Paper office supplies	244.6	4.7	7.8
Paint	267.3	-0.1	1.0
Plastic resins	308.6	0.7	8.1
Precision measuring tools	253.0	0.0	3.2
Pumps and compressors	349.3	0.5	0.3
Refractories	362.9	0.2	7.3
Rubber belts and belting	334.5	0.5	2.7
Scales and balances	231.2	0.3	2.1
Steel products	360.9	0.1	4.0
Switchgear	271.7	0.5	-0.4
Textiles, synthetic fibers	160.6	-0.4	4.4
Textiles, gray fabrics	153.0	0.1	4.9
Tires and tubes	243.2	0.4	-1.3
Transformers and power regulators	226.4	0.2	0.4
Welding equipment	279.0	0.8	-0.1
Wire and cable	204.6	1.4	0.0

Industrial prices

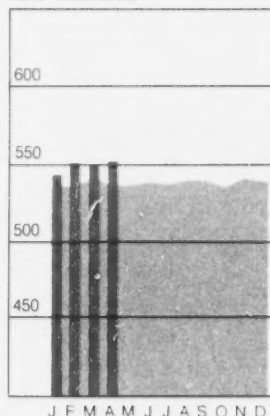
■ 1983 ■ 1984

All items

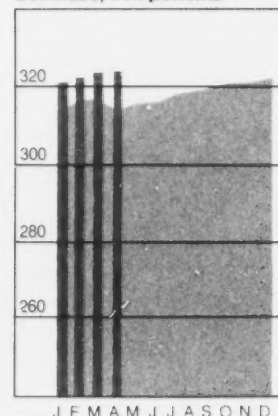
Index: 1967 = 100



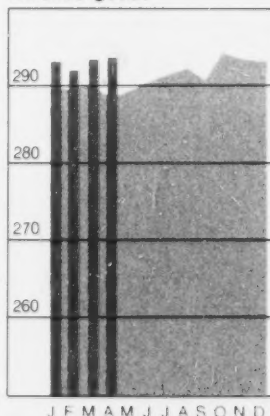
Raw materials



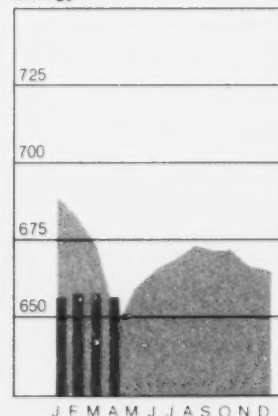
Semifabs, components



Finished goods



Energy

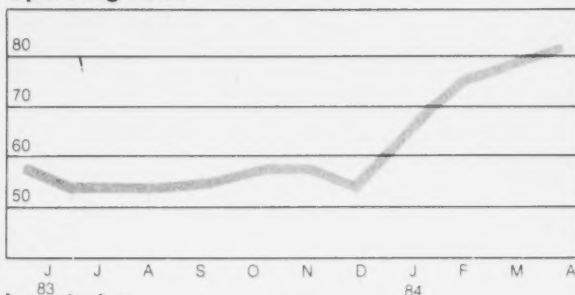


Source: Bureau of Labor Statistics

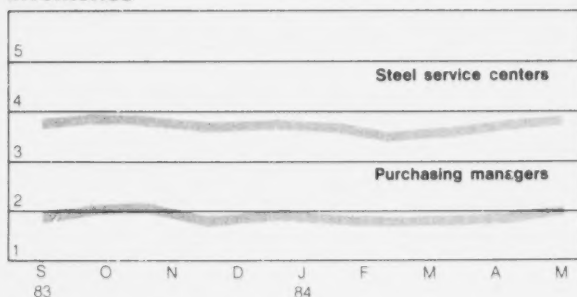
BUSINESS DATATRAK

Steel

Operating rates



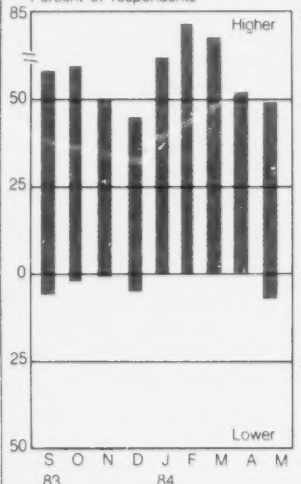
Inventories



Demand (months supply on hand)

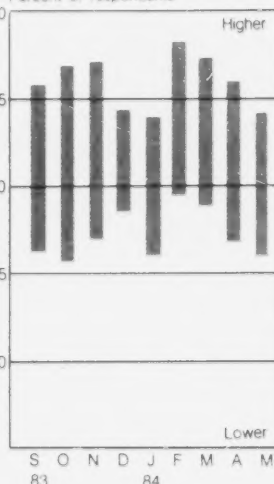
Service center incoming orders

Percent of respondents



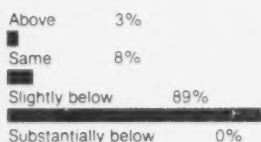
Steel buyer purchases

Percent of respondents

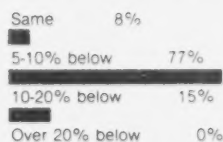


Import prices (compared to domestic)

Steel buyers



Service centers (carbon steel)



Source: Steel Service Center Institute; NAPM Steel Buyers Committee

and natural gas.

But perhaps even more remarkable has been the small amount of increase in both the crude and semi-finished categories—sectors normally quite sensitive to the strong buying patterns of recent months.

Metals, in particular, have been relatively well behaved. Indeed, averages remain pretty much unchanged from late winter levels—except for steel where smaller discounts have pushed transaction prices up in many areas.

There's little to complain about in component parts either. But there are some exceptions in this case—with some fair-sized boosts recently posted on fasteners, bearings, rubber hose, motors and generators, and pumps and compressors.

Machinery averages, meantime, are showing only fractional advances. Ditto, most industrial chemicals and building materials. Indeed, one product in the latter category (softwood lumber) has actually edged a bit lower in recent weeks.

That's not to say, of course, that everything is coming up roses. High (95%-plus) operating rates are pushing up paper products on a broad front. Some of the increases relative to 12-month earlier readings: paperboard (11%), corrugated boxes (10.1%), and paper office supplies (7.8%).

In short there are some price problems. But by and large, increases have been relatively moderate—with the typical purchase mix probably not up by more than 5% compared with a year ago.

STEEL SCENE

Less robust but still growing

Steel buying is still heading up. But the increases over the next few months may not be quite as robust as those noted over the past few months.

Both buyers (responding to a new NAPM steel survey) and distributors (responding to the latest Steel Service Center Institute query) are pretty much agreed on this scene. Thus the 21% of the metal buyers who anticipated increased steel receipts over the next three months are exactly balanced off by a similar 21% who think they may cut back a bit.

True, more steel service centers see increased incoming orders than decreased orders. But the fact that 12% now are talking in terms of decreases is significant—for this is the first time since last December that even one service center sees a near-term decline.

Observes SSCI president Andrew Sharkey, "All our major end user markets look extremely healthy."

On the latter score, he notes that factory utilization, now above the 80% mark, is nearing the point where investments in capital equipment may soon be followed by new brick and mortar. In fact, the latest capital spending projections call for a 12% increase this year.

...continued

BUSINESS DATATRAK

"If there's any troublesome note in recent surveys," adds Mr. Sharkey, "it would be the increasing number of reported shortages." The products in short supply continue to be primarily sheet and aluminum products—though there are reports of scattered problems in plate and stainless.

Sporadic tightness (mostly in the form of extended lead times which in some cases have doubled since last year) is also confirmed by buyers.

This somewhat tighter supply—though no one seems even remotely on the verge of pushing the panic button—may be partially responsible for a slow edging up in inventory levels.

But as suggested here, the above buying in no way suggests an unwanted buildup. Best bet for customer inventory increases this year: only about 3.5 million tons—not overly excessive in terms of consumption—and certainly in no way a threat to near-term steel order books.

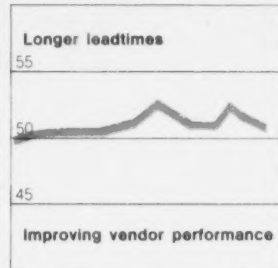
Buyers, in addition to reappraising their overall inventory strategies, are also continuing to push for substantial tonnages of foreign steel. Some 22%, for example, say that they intend to be more dependent on overseas metal over the next six months—more than four times the 5% who feel they might be somewhat less dependent.

Price, of course, seems to be the major reason for this. Thus, nearly 9 out of 10 surveyed purchasing executives say foreign steel is priced under comparable domestic levels.

Monthly procurement status report

Leadtime index

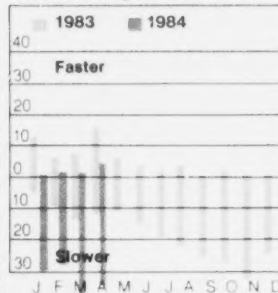
A diffusion index based on 158 key commodities. Above 50 indicates a tendency for leadtimes to stretch out. Below 50 suggests improving vendor performance.



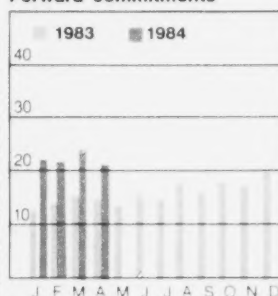
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82 83

Delivery performance

Percent reporting deliveries

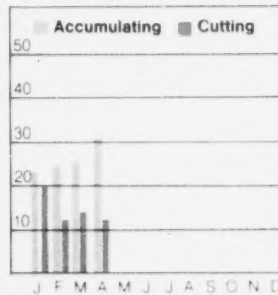


Forward commitments



Inventory strategy

Percent of respondents



Source: NAPM

PROCUREMENT STATUS

Stretch outs are livable

Leadtimes continue to stretch out. But increases are not quite as large as those noted during the first few months of the year.

Thus *PurchasingWorld's* exclusive leadtime index registers on "51"—just one point above the neutral 50 mark—suggesting that things may soon be stabilizing as the economy moves into slower, more sustainable growth.

Also indicative of a more livable situation is the fact that the increase in the number of purchasing executives reporting slower deliveries has begun to slow down. Specifically, the 36% who now report slower deliveries is three percentage points under the level of the previous month. Also 5% now note faster deliveries—versus 2% a month ago.

The somewhat better overall PM feeling is summed up by one Midwestern buyer: "If the

economy grows at a 3% pace in the second half, things should not get any worse because new capacity is coming on stream at just this same rate."

One thing for sure, few seem worried to the point that they're actually changing their procurement policies. Indeed, the 21% who are now committing for production materials 90 days or more in advance is under the 24% of just one month earlier.

To be sure, a lot more are adding to inventories these days—31% to be exact versus only 13% who are currently paring stocks. But this probably reflects the need to sustain higher production schedules rather than any hedge buying against possible future tightness.

Also reassuring in this respect is the fact that buyers responding to the latest NAPM Business Survey Committee query list only two items in really tight supply: (1) integrated circuits and a few other electronic components, (2) hydrogen peroxide. This is nothing like the long list of the late '70s when the economy was last in a strong boom phase.

Leadtimes and availability

Chicago: Offsetting changes here. Out to new higher weekly waits are common alloy aluminum plate (14), brass rods (5-6), copper and brass tube (12-14), batteries (14-26), capacitors (14-20), and resistors (8-20). But in a bit are mill supplies (2-3), film laminations (12-16), h-r steel sheet (4-6), steel plate (3-4).

Cleveland: Waits are beginning to stabilize—with these typical weekly leads prevailing: waterproof paper (5-6), plastic shrink film (3), strapping (2-3), multiwall paper (8-10), alloying material (on demand), corrugated boxes (3), folding boxes (4), steel canisters (6), polyethylene and PVC (3-4), cold finished aluminum (12-14).

Los Angeles: Somewhat lower weekly leads prevail for brass castings (6-8), fasteners (6-8), custom seals and gaskets (4-6), electronic hardware (4), wire and cable (6), and paints (4). But moving out somewhat are connectors (30), electric equipment (26-30), and passive electronic components (26).

BUSINESS DATATRAK

Houston: High pressure heat exchangers now take a longer 6-14 months. Forgings are out a bit, too (to 5-7 weeks). But control valves take somewhat less (only 2-6 months). Unchanged (in weeks) are mill steel (4), MRO supplies (3), air compressors (4-6), valves and fittings (0-1), electric and electronic components (8).

Philadelphia: Extensions predominate—with these new higher weekly leads: Standard fasteners (2-3), special fasteners (8-10), bearings (18-26), printed circuit boards (14-18), carbon steel round coils (8-10), aluminum for sheet and extrusions (6-8). But plastic sheet is in (to 4). Ditto, stainless round coil (10-12).

Pittsburgh: Some extrusions noted in both magnesium and manganese—both now 4 weeks because of strong demand. Most other alloying materials remain unchanged. Ditto, steel strapping (2-3), polyethylene (5), PVC (6), maintenance paint (5), plastic bags (3-4), corrugated boxes (3-4), and laminated papers (6-9).

Leadtimes (in weeks)

	Now	Month ago	Six months ago
STEEL			
Sheet (Phil)	9	9	7
C-R Sheet (Chgo)	8	8	10
Plate (Phil)	10	10	6
Plate (Chgo)	3½	6	3
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	7	7	4½
H-R Bars (Chgo)	3	3	2½
Cold-Drawn Bars (Phil)	7	7	4½
Galvanized (LA)	16	16	11
Galvanized (Chgo)	8	9	7
Structurals (Chgo)	3½	3½	2½
Structurals (Hous)	17	17	15
Tubing (Phil)	7	7	6
Grey Iron Castings (LA)	9	9	6½
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	6	5	7
Pipe, Carbon (Hous)	13	13	13
ELECTRIC & ELECTRONIC			
Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	17	16	14
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	13	13	9
ICs (Linear) (Phil)	20	20	11
Motors (Phil)	15	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	17	17	10½
Relays (Chgo)	15	15	15
Resistors (Chgo)	14	10	10
Resistors, Wirebound (Phil)	10	10	9
Transformers (Chgo)	10	10	10
LUMBER			
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	1½	1½	2
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	1½	1½	1½
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½
CHEMICALS-PLASTICS			
Adhesives (LA)	½	½	½
Naphthalene (Chgo)	2	2	2
Paint (LA)	5	5	4
Paint, Coil Coating (Pgh)	4	4	4
Paint, Maint. (Cleve)	3	3	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Cleve)	3	3	2½
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	3	2	2½
PVC Resin (Pgh)	6	6	4
Titanium Dioxide (LA)	1	1	1

PACKAGING

	Now	Month ago	Six months ago
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	6	6	6
Cartons, Corrugated (Cleve)	3	3	3
Cartons, Corrugated (Hous)	3	3	3
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	3½	3½	3½
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg (Pgh)	3	3	3
Shrink Film (Chgo)	4	4	4
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	1	1	1
Drums, Steel, Std (Pgh)	1	1	1
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	4½	4½	4½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3

PAPER

	Now	Month ago	Six months ago
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½

NON-FERROUS

	Now	Month ago	Six months ago
Aluminum Coil (Chgo)	15	15	11
Aluminum Plate (Chgo)	14	12	9
Aluminum Sheet (LA)	4½	4½	4½
Aluminum Sheet (Chgo)	15	15	14
Brass Castings (LA)	7	13	17
Brass Rods (Chgo)	5½	4½	3½
Brass Sheet (Chgo)	17	17	9
Brass Tube (Chgo)	9	9	9
Copper Fittings (LA)	3½	3½	5
Copper Mill Prod (Pgh)	6	6	6
Copper Tube (LA)	5½	5½	5
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	2
Magnesium (Pgh)	4	3	2
Manganese (Clev)	1	1	1
Nickel (Clev)	4	2	2
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	3	3	3
Wire, Specialty (LA)	8	8	5
Zinc (Pgh)	6	6	2

MISCELLANEOUS

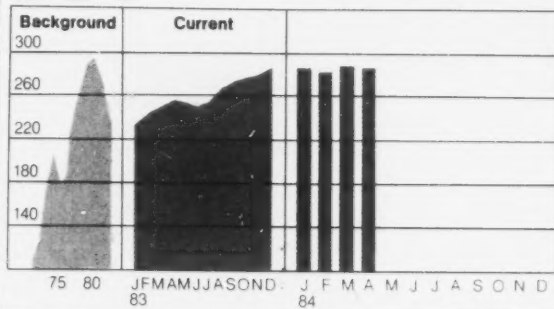
	Now	Month ago	Six months ago
Bearings, Domestic (Phil)	22	12	12
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	35
Compressors, Centrifugal (Hous)	48	48	52
Compressors, Reciproc. (Hous)	39	39	39
Fasteners (Chgo)	1½	1½	1½
Fasteners (LA)	7	9	4
Fasteners, Std. (Phil)	2½	2	2
Heat Exchangers, Carbon-alloy Steel (Hous)	20	20	20
Heat Exchangers, Hi-pressure (Hous)	43	21	21
Insulation Mat'l. (LA)	7	7	7
Machined Parts (Hous)	9	9	9
Pipes & Valves (Chgo)	2	2	1
Pumps (Hous)	35	35	39
Pumps (LA)	9	9	9
Rubber, Synthetic (LA)	2	2	2
Rubber Hose (LA)	4	4	4
Tungsten Carbide Parts (Hous)	15	15	15
Valves, Cast Steel (Hous)	17	6½	8
Welding Supplies (Hous)	5	5	5

BUSINESS DATATRAK

Raw material price barometer

Latest month 288.6
Month before 289.2
Year ago 253.2

Index: 1967 = 100



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	24.40
Steel, bars, divd. Phila., cwt.	17.50	17.50	17.50
merchandise quality			
Steel, bars, Pitts., cwt.	17.50	17.50	17.50
Steel, bars, C.R., Pitts., cwt.	26.00	26.00	26.00
Steel, plates, Pitts., cwt.	23.25	23.25	25.75
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	25.75
Steel, sheets, C.R., Detroit, cwt.	27.10	27.10	26.15
Steel, strip, C.R., Chi., cwt.	35.30	35.30	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65

NONFERROUS METALS

Aluminum, ingot, lb. (market place)	0.665	0.698	0.650
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	5.20	5.20	4.95
Brass, red, 85% [sheet], lb.	1.26	1.30	1.30
Brass, yellow, [sheet], lb.	1.21	1.25	1.24
Cadmium, ton lots, lb.	2.25	1.50	1.00
Copper, electrolytic, wire bars, retd., lb.	0.70	0.75	0.82
Copper sheet, over 24 in., lb.	1.35	1.39	1.39
Lead, common, N.Y., lb.	0.25	0.26	0.21
Magnesium, pig ingot, [99.8%], lb.	1.43	1.43	1.34
Mercury, 20 fl. lots, N.Y., fl.	327.00	322.00	325.00
Molybdenum Climax Oxide/bags, lb.	4.65	4.65	4.65
Nickel, electrolytic, producer, lb.	3.20	3.20	3.20
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	8.73	9.23	12.40
Tin, Straights, N.Y., lb.	6.37	6.36	6.84
Zinc, Prime West, East St. Louis, lb.	0.52	0.53	0.40
Zinc, die casting alloy, No. 3, lb.	0.595	0.595	0.465

PAPER

Uncoated book #3 offset, ton	810.00	810.00	680.00
Watermarked bond, ton	985.00	985.00	845.00
Gummed sealing tape, carton	15.45	15.45	15.50
Boxboard, mach. clay ctd. recycled sheets 80 bright, 016, ton	475.00	475.00	475.00
Wrapping paper, std. distributor cost, kraft, basis wt. 50 lb., roll	28.00	28.00	28.00
Kraft linerboard, 42 lb., unbleached, ton	320.00	320.00	270.00

TEXTILES

Burlap, 10 oz., 40", N.Y., yd.	0.297	0.306	0.241
Cotton drill, 1.85, 59", 68x49 N.Y., yd.	1.04	1.04	0.97
Cotton middling, 1", N.Y., lb.	0.799	0.763	0.659
Printcloth, 48", 80x80, N.Y., spot yd.	0.80	0.82	0.58
Army duck, 37", 13 oz., yd.	1.90	1.79	1.60
Blended printcloth, 64", 78x54, yd.	0.750	0.760	0.670
20s combed yarns	2.16	2.16	1.68
Wool tops, N.Y., lb.	3.60	3.60	3.60

CHEMICALS

	Latest price	Previous month	Year ago
Acrylonitrile, tanks, lb.	0.455	0.455	0.430
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	210.00	210.00	150.00
Benzene, petroleum, tanks, Houston, gal.	1.48	1.48	1.46
Caustic soda, 76% solid, drums, cartons, cwt.	26.00	26.00	26.00
Cresylic acid [over 25%], tanks, lb.	0.58	0.58	0.66
Formaldehyde, USP, 37% [12% to 15% meth.], tanks, lb.	0.106	0.106	0.106
Glycerine, synthetic, tanks, lb.	0.81	0.81	0.73
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.450	0.450	0.715
Naphthalene, crude, tanks, lb.	0.22	0.22	0.22
Phthalic anhydride, tanks, lb.	0.305	0.305	0.245
Polyethylene resin, low density liner film grade (market price), lb.	0.44	0.43	0.32
Polypropylene, homopolymer grade (market price), lb.	0.40	0.38	0.34
Polystyrene, general purpose grade (market price) lb.	0.45	0.45	0.37
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light cartons, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.35	0.35	0.30
Sulphur, crude, ex-terminal, Tampa, Fla., lb.	140.00	140.00	135.00
Sulphuric acid, 66%, commercial, tanks, ton	56.35	56.35	56.35
Titanium dioxide, anatase, reg., cartons lb.	0.69	0.69	0.69
Xylene tanks, gal.	1.28	1.35	1.42

BUILDING MATERIALS

Lumber, 2x4 fir, mbf, cl	324.40	324.15	323.45
Lumber, 2x2, pine, mbf, cl	316.05	324.45	321.25
Plywood, plyform, 3/4", msf, cl	571.95	570.30	538.05
Plywood, 3/4", msf, cl	366.80	371.40	345.95
Cement, bulk, ton, tl	62.04	62.24	61.89
Sand, ton, cl	6.15	6.19	5.97
Ready-mix concrete, 3,000 psi/cu yd., 15 cu. yd.	45.86	45.67	45.85
Crushed stone, 1 1/2", ton, cl	7.82	7.87	7.89
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.76	0.76	0.76
Gypsum sheathing, 1/2"x1"x8", msf, tl	219.26	198.97	166.41
Brick, common, per thousand, tl	174.08	173.88	172.90
Asphalt paving, AC-20	164.21	163.82	156.72
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.95	6.80	6.63

FUELS

Fuel oil, No. 6 or Bunker C, Gulf, bbl.	27.00	27.50	24.00
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	31.40	31.40	29.75
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.850	0.860	0.830
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.810	0.830	0.885
Heating oil, No. 2, Chi., bulk, gal.	0.825	0.800	0.803
Heating oil, No. 2, N.Y., bulk, gal.	0.878	0.873	0.778
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.25	26.25	26.50
Jet kerosene, gal.	0.805	0.800	0.790
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.420	0.425	0.465

SCRAP MATERIALS

Steel, No. 1, hvy., divd., Pitts., ton	102.00	102.00	67.00
Steel, No. 1, hvy., divd., Chi., ton	84.00	84.00	64.00
Copper, No. 1, East, wholesale buy, divd., lb.	0.600	0.655	0.715
Copper, No. 2, East, wholesale buy, divd., lb.	0.510	0.560	0.630
Brass, red, East, wholesale buy, divd., lb.	0.560	0.615	0.675
Brass, yellow, East, wholesale buy, divd., lb.	0.380	0.398	0.360
Alum., old sheet/cast, E., wholesale buy, divd., lb.	0.475	0.505	0.355
Alum., mixed clip, E., wholesale buy, divd., lb.	0.505	0.515	0.365
Zinc, old, East, wholesale buy, divd., lb.	0.185	0.185	0.080
Lead, clean solids, East, wholesale buy, divd., lb.	0.145	0.140	0.120
Paper, No. 1 mixed, dir., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dir., Chi., ton	32.00	32.00	20.00
Paper, old corrug. box, dir., N.Y., ton	29.00	29.00	18.00
Osbnburg cuttings, dir., f.o.b. N.Y., lb.	0.130	0.135	0.100
White wipers, No. 1, dir. buy, f.o.b. N.Y., lb.	0.32	0.34	0.36

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service]

Rate hikes, yes; double digit, no!

Budget for more freight rate increases. But they won't be spectacular for the most part—and there's certainly little indication of any return to the double-digit advances of a few years back.

That's the gist of this quarterly analysis of transportation trends prepared exclusively for *PurchasingWorld's* readers by Wharton Econometric Associates.

Only a 6.3% increase in overall freight rates is anticipated for the year by the Philadelphia-based consulting firm which attributes this year's relative moderation to a series of factors:-

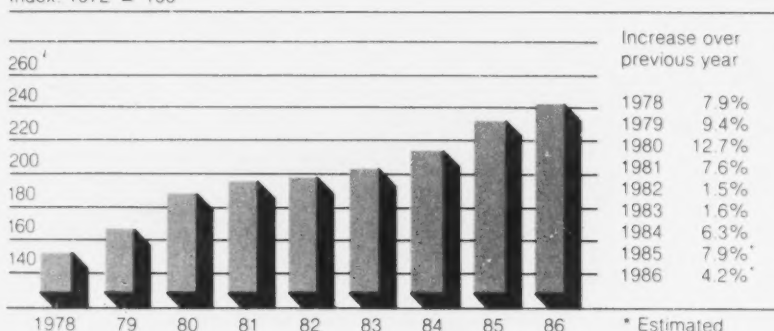
- the traditional lag in tariff boosts following a pickup in demand
- stable to even lower petroleum product prices
- surprisingly little upward labor cost pressure—reflecting the significant wage concessions that carriers were able to win from unions during the 1982-83 recession
- lingering overcapacity which continues to generate both intra- and intermodal competition.

Next year, however, could see somewhat stiffer rises as some of the factors noted lose their impact. Wharton pegs that overall advance at 7.9%. There are already signs that unions will attempt to recoup earlier concessions.

In any event, by then (1) petroleum product prices should be inching up, (2) overcapacity should be less of an industry-wide problem

PurchasingWorld freight rate index

Index: 1972 = 100



and (3) major truck and barge carriers will be faced with higher taxes.

Go beyond 1985, however, and there should be some relief—as the economy takes a breather. This will reduce transportation demand—probably enough to limit the increase in the 1986 freight bill to just a bit over 4%.

Rail: The industry has benefited from deregulation and has been able to increase its share of intercity traffic during the current recovery. Year-to-date figures show that the railroads have logged 22% more revenue ton miles than during the same period last year. Piggyback shipments have been a major contributor—advancing 20%.

As for the tab—rail rates will rise slightly slower than for other modes (5.4% this year and 7.5% in 1985)—as operating costs increase

less rapidly. Mergers and increased intermodal traffic have clearly increased the efficiency of rail shipping. The fact that no large tax increases are on the horizon should also help limit rate increases.

Truck: A fair-sized recovery is underway here, too. Thus the American Trucking Association reports its truck tonnage index now runs 15% above year-ago levels.

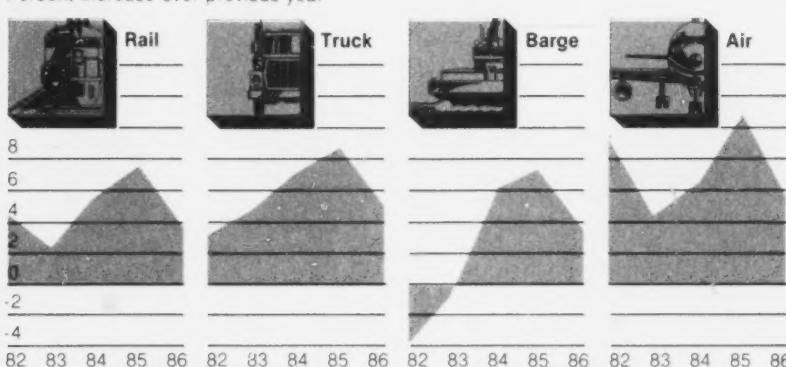
Truck rates, meantime, will increase faster than those for rail—if only because of a bill currently before Congress (and certain to pass) that will increase road use fees by imposing a 6¢/gallon tax on gasoline and a \$600/year vehicle charge on trucks over 55,000 pounds. Best bets for rate increases here: 7.1% this year and 8.8% in 1985.

Barge: Overcapacity has actually reduced rates over the past few years. Upshot: waterway shipping is now a great bargain for large volume shippers. Barge rates will increase more strongly next year (7.3% to be exact)—as waterway user fees (in the form of a gasoline tax) increase from 8¢/gallon currently to 10¢/gallon in 1985.

Air: Freight traffic at latest report was running better than 20% ahead of last year. And while air freight prices will increase only a modest 6.4% this year, brace yourself for a big 11% boost next year. One consolation: most of the increases will come only in shipments of bulk freight. For a more detailed discussion turn to the story beginning on page 64. **PW**

Freight cost outlook by mode

Percent increase over previous year



Source: Wharton Econometric Forecasts

PW Outlook survey: prices

Prices are beginning to move up a bit faster.

But the overwhelming number of purchasing managers queried in a new nationwide survey by *PurchasingWorld* are confident that things won't get out of hand. Indeed, not one of the hundreds of responding buying executives sees any return to double-digit advances.

As one Midwestern metalworking PM puts it, "Rising demand virtually dictates more increases—and we are getting them. But with supplies ample or even more than ample—and vendor costs rising fairly slowly—I think it's the type of price climate we can handle without too much trouble."

There are, of course, some exceptions to this basic trend. Several buyers, for example, complain of a few big boosts in the paper and electronic components areas. But they hasten to add that other parts of their overall purchase mix haven't been faring all that badly.

■ **The past 12 months:** The average increase for the year ending this June is put at near 3%. But one out of five has done even better than that—experiencing no important change or even some slight decline.

On a sector-by-sector basis, freight seems to have fared best—with two out of five reporting no change or actual declines in their overall transportation bills. Not so raw materials and component parts, where increases over the past year have averaged out at near 4%—with only a

handful able to negotiate declines.

■ **The next 12 months:** Some 71% of the respondents are bracing for some kind of acceleration—with the remaining 29% budgeting for the same rate of increase as experienced during the last 12 months. A speed-up in the rate of advance is also suggested by the fact that more than 9 out of every 10 now see increases in the 4% or higher range—in sharp contrast to the past year when only one out of three experienced boosts of this magnitude.

All major sectors should contribute to this faster pace of advance—though again freight costs are expected to show somewhat lower-than-average increases.

In any event, average increases in the five key sectors monitored by PW are expected to be as follows over the next 12 months: raw materials (5½%), component parts (4½%), machinery (4%), energy (4½%), and freight (2½%).

■ **Problem areas:** As suggested earlier, there are a few items sporting higher-than-average boosts. And some feel this trend will continue. Thus, aside from paper and electronic components, several purchasing managers are bracing for some substantial advances in plastic resins, steel, aluminum, copper products, chlor-alkalis, and chemicals.

■ **Availability of discounts:** Many of the increases noted just above are expected to come in the form of lower discounts rather than higher lists. In any case, the number of

products in the "subject to negotiation" category is still quite impressive—with substantial shading reported in steel, solvents, petrochemical monomers, glass, fasteners, packaging items, MRO supplies, and—last but not least—in freight where discounts as high as 20% and 30% are being obtained.

But many of these deals are not quite as lucrative as they once were. Thus, where 35% steel discounts were not all that hard to find as recently as late 1983, today a 20% off-list quote is considered good.

■ **Relatively weak areas:** On the other hand, there are still a few items where PMs feel they can hold the price line—even on a "transaction price" basis—over the next 12 months. These include fasteners, screw machine parts, styrene, lumber, selected electronic components (such as registers, capacitors, and solid state devices), electrical supplies, computers, copiers, and other types of office equipment.

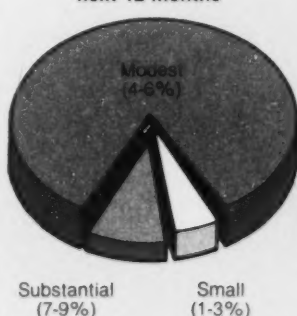
Equally impressive from the PM point of view is the fact that things really have not deteriorated all that much since last fall.

More to the point: Last September when PMs were asked what they saw ahead for prices, they put the average increase over the then-ensuing 12-month period at 4.2% (PW, 9/83, P. 90). Today, with activity at a much higher level, these same buyers are betting on only a one-half percentage point higher (4.7% to be exact) near-term inflation rate. **PW**

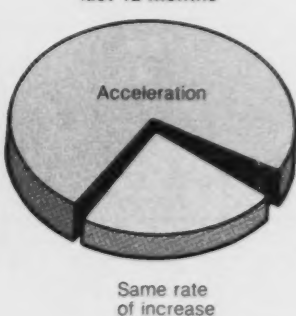
Inflation: Still Under Control

The Big Picture

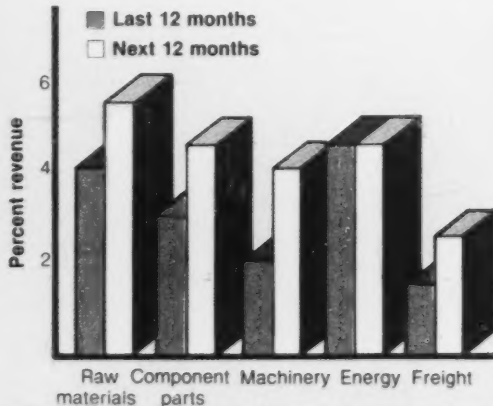
Expected increase over the next 12 months



Next 12 months versus last 12 months



Sector-by-Sector



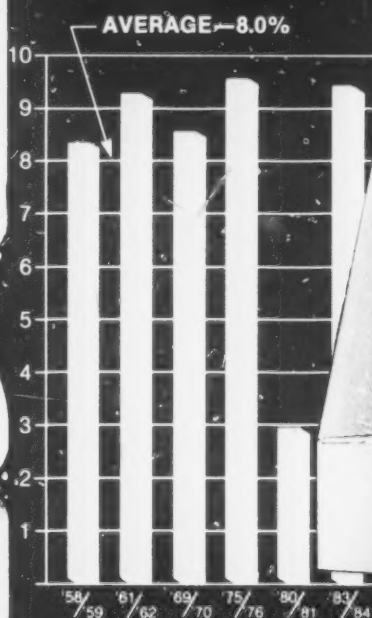
Source: PurchasingWorld

PurchasingWorld

**Midyear appraisal:
Where we are going**

C45222.1A

#7351750001 30G0037
COPY ONE
STATISTICAL REFERENCE IN
CONGRESSIONAL INFO SVC
4520 EAST-WEST HWY STE. 8
BETHESDA MD 20814



**% INCREASE IN REAL GNP
IN THE FIRST 18 MONTHS
OF RECENT RECOVERIES**